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THE DAILY NEWSPAPER OF PUBLIC FINANCE

California Officials Looking at Raw Deal By August to Head Off Cash Crunch

Bond Buyer | Wednesday, May 7, 2008

By [Rich Saskal](#)

SAN FRANCISCO -California finance officials are working to put together a revenue anticipation warrant issue by August to avert a potential cash crunch.

"It all comes down to the state's cash position, and expected expenditures as opposed to what we'll have on hand when the bills come due," said Jacob Roper, spokesman for Controller John Chiang.

The size of the short-term Raw borrowing is not yet known, he said.

California is planning the warrant sale for two reasons, according to Roper.

The state can issue Raws without an enacted budget in place, as opposed to issuing revenue anticipation notes, which require a budget, he said.

Even in smooth economic times, California's budget is often not enacted until well after the fiscal year starts July 1, because it requires a two-thirds vote in each house of the Legislature. Times are definitely not smooth this year, with estimates of the structural budget deficit starting at \$8 billion and rising.

Roper said that Raws are also the preferred vehicle because the state's cash-flow requirements call for it to borrow cash across fiscal years, as opposed to Rans, which are intra-year borrowings.

In California, the controller's office issues Raws, and the treasurer's office issues Rans.

Both Chiang and Treasurer Bill Lockyer, in interviews this week with the Sacramento Bee, urged lawmakers to move quickly to get a budget adopted on or close to schedule in order for the state to be able to issue Raws in a less-uncertain atmosphere that will allow the state to pay lower interest rates and avoid onerous repayment terms.

The treasurer's office issued \$7 billion of Rans last October. They mature in June.

California last issued Raws in 2003, in the midst of a previous budget crisis. The state was able to retire the \$10.97 billion issue after issuing deficit bonds in 2004. The deficit bonds were authorized by a 2004 ballot measure.

The state used up the remainder of that authorization in February, issuing \$3.2 billion of what are formally known as economic recovery bonds to help with the state's current cash crunch.

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